

Cash Rent Tenant Rule

Farmers are reminded that there are additional requirements for land that is cash rented to earn payments under most FSA programs. The cash rent tenant rule applies to land that is acquired for cash or a crop share guaranteed as the amount of the commodity to be paid for rent. This provision also applies to tenants who rent land for \$0 or who farm the land in exchange for compensation for something other than cash, such as a barter arrangement.

The basic rule states that any cash-rent tenant shall be ineligible to receive payments for most programs unless they meet one of the following provisions: perform a significant contribution of active personal labor to the farming operation; or perform a significant contribution of both active personal management and equipment to the farming operation.

To truly understand the significance of this rule one must understand the definition of the following terms:

Farming Operation – A business enterprise engaged in the production of agricultural products. This includes the acreage on all farms in all counties in which the individual, entity, or joint operation has an interest in the agricultural products or proceeds from the agricultural products produced.

Significant Contribution – A significant contribution of equipment, labor, or management is when the participant provides at least 50 percent of the commensurate share of the total value of the contribution for the whole farming operation. This means that they must provide at least 50% of the equipment, labor, or management to the entire operation. Labor may also be considered significant if at least 1000 hours per calendar year are contributed by the individual.

There are specific rules to determine if equipment contributions meet the cash rent tenant rule. The rules change if any of the following apply to the cash rent tenant:

- The equipment is owned
- The equipment is leased
- The equipment is leased from the landowner or same individual providing labor
- Custom harvesting is hired

Producers who do not meet the cash tenant rule are ineligible to earn payments on that portion of the farming operation's cropland. For example, a producer with a farming operation of 1,000 acres that does not meet the cash rent tenant rule on 250 acres, will only earn 75% of benefits for all ground under the farming operation. This is crucial because most people believe that the specific land or 250 acres in the above example is

ineligible to earn payments. This is incorrect; a cropland factor is determined and applied to all payments and all farms for most programs for which the farming operation is participating.